

MINUTES

MONTANA SENATE 57th LEGISLATURE - REGULAR SESSION COMMITTEE ON BUSINESS AND LABOR

Call to Order: By **CHAIRMAN MIKE TAYLOR**, on March 8, 2001 at 8:00 A.M., in Room 422 Capitol.

ROLL CALL

Members Present:

Sen. Mike Taylor, Chairman (R)
Sen. Mike Sprague, Vice Chairman (R)
Sen. Edward Butcher (R)
Sen. Vicki Cocchiarella (D)
Sen. Sam Kitzenberg (R)
Sen. Dale Mahlum (R)
Sen. Glenn Roush (D)
Sen. Don Ryan (D)

Members Excused: Sen. Dale Berry (R)

Members Absent: None.

Staff Present: Bart Campbell, Legislative Branch
Kyanne Kelly, Committee Secretary

Please Note: These are summary minutes. Testimony and discussion are paraphrased and condensed.

Committee Business Summary:

Hearing(s) & Date(s) Posted: HB 479, 3/5/2001; HB 489,
3/5/2001; HB 490, 3/5/2001
Executive Action: HB 230; HB 95; HB 156; HB 379;
HB 150

HEARING ON HB 479

Sponsor: REPRESENTATIVE STEVE GALLUS, HD 35, BUTTE

Proponents: Joe Mazurek, D.A. Davidson

Opponents: None

Opening Statement by Sponsor

{Tape : 1; Side : A; Approx. Time Counter : 0.8}

REPRESENTATIVE STEVE GALLUS, HD 35, BUTTE, said the Board of Investments has financed some local government projects. InterCap is a variable rate loan and the rates change in March, however the assessments on SIDs happen in September and that brings up some problems which would be alleviated by this bill.

Proponents' Testimony:

Joe Mazurek, D.A. Davidson, said they support this bill.

Opponents' Testimony: None

Questions from Committee Members and Responses:

CHAIRMAN MIKE TAYLOR asked why private industry would buy these bonds.

Carroll South, Board of Investments, said if they wanted to they could at a 3 3/4 interest rate.

SENATOR ROUSH asked who would be stuck if the pay back failed.

Carroll South said they don't make loans that they don't think can be paid back. He noted however that there is a loss reserve and they are also backed by the permanent Coal Tax Trust. He said that in the 15 years they have been lending money to state and local government they have never lost a penny.

CHAIRMAN TAYLOR asked why private enterprise wouldn't really be into this.

Joe Mazurek said Butte didn't have a history using SID's, so this compromise came about.

CHAIRMAN TAYLOR asked if they planned to charge a user fee.

REPRESENTATIVE GALLUS said yes, and that fee would be 1%.

Closing by Sponsor:

{Tape : 1; Side : A; Approx. Time Counter : 14.3}

REPRESENTATIVE STEVE GALLUS, HD 35, BUTTE, said the purpose of this bill is not to interfere with private enterprise, but to give some communities the ability to get some funds for their special improvement districts.

HEARING ON HB 489

Sponsor: **REPRESENTATIVE WILLIAM PRICE, HD 94, LEWISTOWN**

Proponents: **Evan Barrett, Butte Development Association**
 Gene Vuckovich, Rural Development Partners
 Jim Davison, MT Economic Development Association
 Gloria Paladichuk, Richland Economic Development

Opponents: None

Opening Statement by Sponsor:

{Tape : 1; Side : A; Approx. Time Counter : 15.3}

REPRESENTATIVE WILLIAM PRICE, HD 94, LEWISTOWN, said this bill would allow the tax credits received under the infrastructure investment program to be sold for no more than a 5% discount. What that means is the Board of Investments loans money to the local government to build the infrastructure to allow for the use of the credit against their state income tax. The bill allows them to take the credit and sell it to anyone at a discount, very much like a bond.

Proponents' Testimony:

Evan Barrett, Butte Development Association, said the most important part of this bill is to make this really good state program functional and make a discount occur so that more companies will look at it.

Gene Vuckovich, Rural Development Partners, said this bill would create a situation where industry would be more likely to support the investment of infrastructure if they could realize the benefits of tax credit early in their lean days of business. He handed in a copy of his testimony. **EXHIBIT (bus53a01)**

Jim Davison, Montana Economic Development Association, said they fully support this measure.

Gloria Paladichuk, Richland Economic Development, said she definitely urges the committee to pass this bill.

Opponents' Testimony: None

Questions from Committee Members and Responses:

SENATOR COCCHIARELLA asked about the possible reduction of revenue to the general fund.

Evan Barrett said the total amount of money under state law is 50 million dollars maximum on all state projects. He said it would only impact the general fund if and when it is used, and there is no way to tell when it will be used.

CHAIRMAN TAYLOR asked how much money of the 50 million has been lent out.

Carroll South said there is about 8 million committed at this time.

CHAIRMAN TAYLOR asked if this is prudent banking standards.

Carroll South said the entire strength of the loan rests on the company, and that they do look at that in making these loans.

CHAIRMAN TAYLOR asked if the local government were not responsible for the money and they own the infrastructure how can that be used as an asset.

Carroll South said it all depends on the strength of the company for which the infrastructure is being built. He said that the advantage for the local government is that 20 years down the road the local government owns it so it's all gravy for them.

CHAIRMAN TAYLOR asked if the state would have to come back and make up for a sour transaction.

Evan Barrett said no.

SENATOR COCCHIARELLA asked how many jobs came to Butte because of ASME.

Evan Barrett said approximately 205 jobs averaging over \$45,000.00 a year and 1300 construction jobs at one time plus an anticipated additional 95 jobs.

Closing by Sponsor:

{Tape : 1; Side : B; Approx. Time Counter : 11.9}

REPRESENTATIVE WILLIAM PRICE, HD 94, LEWISTOWN, said this would not come back on the taxpayer. He also said that there would be a great benefit down the road.

HEARING ON HB 490

Sponsor: REPRESENTATIVE WILLIAM PRICE, HD 94, LEWISTOWN

Proponents: Evan Barrett, Butte Local Development
Gene Vuchovich, MT Rural Development Partners
Andy Poole, Department of Commerce
Jim Davison, MT Economic Development Association
Carroll South, Board of Investments
Ann Booth, Malta

Informational Witness: John Guthmiller, USDA Rural Development

Opponents: None

Opening Statement by Sponsor:

{Tape : 1; Side : B; Approx. Time Counter : 13.3}

REPRESENTATIVE WILLIAM PRICE, HD 94, LEWISTOWN, said this bill would create an intermediary re-lending program within the Board of Investments. He said it provides that the loans must be used as matching funds for the federal intermediary re-lending program and it provides that the Board of Investment may purchase a portion of seasoned loans from local economic development organizations.

Proponents' Testimony:

Evan Barrett, Butte Local Development, said this bill is a proven jobs creation deal, it enhances expands jobs in the community. He handed out a chart explaining his testimony. **EXHIBIT (bus53a02)**

Gene Vuchovich, MT Rural Development Partners, said the success of the USDA's re-lending program is well documented and many businesses have expanded, created jobs and helped the local economy. He handed in his testimony. **EXHIBIT (bus53a03)**

Andy Poole, Department of Commerce, said he supports the bill.

Jim Davison, Montana Economic Development Association, said this program would help get money out to smaller communities and build businesses and jobs in the rural.

Carroll South, Board of Investments, said this would help the Board of Investments increase investments into businesses in Montana.

Ann Booth, Malta, said she supports this bill.

Opponents' Testimony: None

Informational Witness: **John Guthmiller, USDA Rural Development**, said they have a program similar to the one being proposed and he made himself available for questions.

Questions from Committee Members and Responses:

SENATOR COCCHIARELLA asked how lending money at 2% is prudent and expert.

Carroll Smith said the legislature decided to lend the money at that rate.

SENATOR COCCHIARELLA asked how this would help in job creation.

Evan Barrett said each development corporation would have to have a loan program acceptable to the community, which is generally jobs creation and brings money into the community. He said that this bill fully implemented would create 2700 jobs for Montana.

Closing by Sponsor:

{Tape : 2; Side : A; Approx. Time Counter : 13.3}

REPRESENTATIVE WILLIAM PRICE, HD 94, LEWISTOWN, said this is a prudent, fiscally responsible investment for Montana. He said it is heavily oriented to expanding businesses and that is a real key to doing good for the state.

EXECUTIVE ACTION ON HB 230

Motion/Vote: SEN. TAYLOR moved that **AMENDMENTS TO HB 230 BE ADOPTED. Motion carried unanimously.**

Motion/Vote: SEN. COCCHIARELLA moved that AMENDMENTS TO HB 230 BE ADOPTED. Motion carried unanimously.

Motion/Vote: SEN. RYAN moved that HB 230 BE TABLED. Motion failed 5-4 with Cocchiarella, Mahlum, Roush, and Ryan voting aye.

Chairman Taylor decided to postpone further action until the next day.

EXECUTIVE ACTION ON HB 95

Motion: SEN. BUTCHER moved that HB 95 BE CONCURRED IN.

Discussion: SENATOR BUTCHER said he didn't want the fees going into rules. He said he was concerned about small business scales. SENATOR SPRAGUE said he checked on the fees for the program and that if the small scales were left out and \$5.00 per scale added to the big scales it could equal out in income for the department.

Substitute Motion/Vote: SEN. SPRAGUE made a substitute motion that HB 95 BE TABLED. Substitute motion carried 8-1 with Taylor voting no.

EXECUTIVE ACTION ON HB 156

Motion/Vote: SEN. TAYLOR moved that AMENDMENTS HB 15601 TO HB156 BE ADOPTED. Motion carried unanimously.

Motion/Vote: SEN. TAYLOR moved that HB 156 BE CONCURRED IN AS AMENDED. Motion carried unanimously.

EXECUTIVE ACTION ON HB 379

Motion/Vote: SEN. MAHLUM moved that AMENDMENTS HB037901 TO HB 379 BE ADOPTED. Motion carried 8-1 with Cocchiarella voting no.

Motion/Vote: SEN. MAHLUM moved that HB 379 BE CONCURRED IN AS AMENDED. Motion failed 4-5 with Cocchiarella, Kitzenberg, Roush, and Ryan voting aye.

Motion/Vote: SEN. MAHLUM moved that HB 379 BE TABLED. Motion carried 5-4 with Cocchiarella, Kitzenberg, Roush, and Ryan voting no.

EXECUTIVE ACTION ON HB 150

Motion/Vote: SEN. TAYLOR moved HB 150 be brought off the table.
Motion failed 6-3 with Berry, Butcher, and Taylor voting aye.

ADJOURNMENT

Adjournment: 10:10 A.M.

SEN. MIKE TAYLOR, Chairman

KYANNE KELLY, Secretary

MT/KK

EXHIBIT (bus53aad)